



# **SEKHUKHUNE DISTRICT MUNICIPALITY**

## **PETTY CASH POLICY**

**2018-2019**

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## **1. Introduction and background**

Section 13(2) of the Local Government Municipal Finance Management Act, 2003 (Act No.56 of 2003) requires a municipality to establish an appropriate and effective cash management and investment policy in accordance with any framework that may be prescribed.

This policy is issued under the authority of SCM Regulation 15 issued in terms of MFMA. It complements the SCM Policy and establishes a control framework for petty cash as an acquisition and payment instruction. This policy is consistent with the Act and the gazetted framework.

## **2 Adoption of petty cash policy**

The Municipality must formally adopt a petty cash policy which shall be consistent with the Act and its regulations. The effective date of this policy or any amendments thereto, shall be the date of its adoption by council.

## **3. Purpose**

The purpose is to ensure the cost-effective and efficient use of petty cash funds while maintaining the required level of control in the process.

## **4. Scope and Application**

The policy is applicable to all officials and councillors of this municipality. This policy must still be read in conjunction with other relevant policies and petty cash purchases should still adhere to the conditions of these other policies.

## **5. Objectives**

The objectives of the policy are:

- Ensure goods and services are procured by the municipality in accordance with authorised processes only.
- Ensure that the municipality has and maintains an effective petty cash system of expenditure control
- To ensure compliance with the relevant legal and statutory requirements relating to petty cash management

## **6. General permissions and restrictions**

The conditions for the procurement of goods and services by means of petty cash purchases include the following:

6.1 Petty cash float shall be up to a maximum of R20 000 per month

6.2. Goods and services may only be procured by way of petty cash purchases , up to a maximum transaction value of R500 for the main offices and R2000 for Water Services Regions (VAT included);

6.3. The use of petty cash should be strictly confined to an individual cash purchase (per transaction) of up to the maximum of R500;

6.4. Authorisation by the relevant manager or the head of department for the purchasing of goods to a maximum of R500 may be made by means of petty cash purchases;

- 6.5. Petty cash vouchers must be signed by the relevant manager or the Head of Department;
- 6.6 All petty cash requests shall have a budget form duly signed to indicate the vote number, the GL account number and the available budget .The budget form to be submitted to ensure the availability of funds before any expenditure is incurred;
- 6.7. There must be only one official, or supervisor delegated by the manager responsible for a petty cash fund at any given time. Only these two persons should be allowed access to the cash in this fund;
- 6.8. All purchase requirements utilizing petty cash shall be approved by the relevant senior manager on the petty cash expenditure voucher within the petty cash book;
- 6.9. A petty cash advance voucher in the petty cash book will be required before issuing an advance indicating the amount requested and the reason for the purchase, items to be purchased and authorised by the executive manager of manager of in charge of a certain vote or line item;
- 6.10. A petty cash expenditure voucher in the petty cash book will be required to finalize the procurement indicating the amount and items purchased, the vote number to be paid from and authorization by the executive manager of manager of in charge of a certain vote or GL account;
- 6.11. All expenditures must be properly filled out in the petty cash expenditure book within the petty cash book. The supporting documents attached shall be original invoices or receipts.

## **7. Petty cash payments prohibited**

- 7.1. Petty cash advances must not be used to provide change, to give salary advances to employees or to cash cheques.
- 7.2. No personal use from these funds is allowed. It shall be deemed as an offense to use petty cash for private matters even if the intention is to repay the money at a later stage.
- 7.3. Petty cash shall not pay for instalment invoices such as rentals or equipment or open orders even if the amount falls within the limit specified.
- 7.4. No payment will be made for lost receipts or invoices.

Petty cash shall NOT be used for:

- Alcoholic beverages
- Staff refreshments (tea, coffee, etc.)
- Refreshments such as energy drinks (e.g Red Bull)
- Salaries
- Catering

## **8. Petty cash replenishment and reporting**

- 8.1. Petty cash replenishment will only be done monthly after having a full reconciliation report.
- 8.2. The report should have all details of the transaction, the vote and GL account number which was used, the date, the amount and the description of the purchases.
- 8.3. Regular reporting mechanisms shall be in place in order to assess the performance of the petty cash and to ensure that the petty cash processes comply with policy objectives, guidelines, applicable laws and regulations.
- 8.4. Monthly reconciliation reports from each Department to Manager Expenditure, including-
- a) The total amount of petty cash purchases for that month; and
  - b) Receipts and appropriate documents for each purchase

## **9. Petty cash safeguarding, shortages and losses**

9.1. The petty cash is to be safeguarded in a lockable cash box and should be locked away when not in use during normal business hours.

9.2 After normal business hours, the responsible petty cash official must lock away the petty cash bin in a fire and theft resistant safe as identified

9.3 The petty cash official is responsible for the safekeeping of all the keys and the cash box and a register thereof must be kept

9.4. An official to whom a petty cash advance is issued, is personally responsible and any loss or shortage in respect of that advance may be recovered from that individual;

9.5. When the petty cash bin is transferred to another delegated official the petty cash must first be reconciled and verified by the transactional control and verification section before it is handed over

9.6. The accountant expenditure must ensure that new holder of the petty cash bin is aware of her/his responsibilities relating to the petty cash transaction

## **10. Review of policy**

This policy on petty cash will be reviewed as and when amendments are required.

Any changes to the petty cash policy must be adopted by council and be consistent with the Act and any National Treasury regulations.

## **11. Effective date**

The effective date of this policy or any amendments thereto, shall be the date of its adoption by council.

## **12. Definitions**

“Act” means the Local Government Municipal Finance Management Act, (Act No.56 of 2003)

“SDM” means Sekhukhune District Municipality

“SCM” means Supply Chain Management

“GL” Means General ledger

“NT” means National Treasury